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FISCAL IMPACT STATEMENT

LS 6750

BILL NUMBER: HB 1323

NOTE PREPARED: Jan 26, 2008

BILL AMENDED: Jan 24, 2008

SUBJECT: Dialysis Treatment Coverage.

FIRST AUTHOR: Rep. Fry

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill specifies requirements for an accident and sickness insurer and a health maintenance organization with respect to providing coverage for dialysis treatment, including payment rates, changes in coverage, networks of dialysis treatment providers, and filings.

Effective Date: (Amended) Upon Passage.

Explanation of State Expenditures: *State Employee Health Benefit Costs:* The state provides health insurance coverage through two insurers: Welborn and Anthem. The specific provisions regarding payment rates, changes in coverage, and the provider networks that provide coverage for dialysis treatment services could increase health benefit costs to the state. The amount of the cost increase is indeterminable at this time.

The state's response to increased health benefit costs may include (1) greater employee cost-sharing in health benefits; (2) reduction or elimination of other health benefits; and (3) passing costs onto workers in the form of lower wage increases than would otherwise occur. It is unknown at this time the extent to which the state would pass potential increased costs on to employees.

(Revised) *Department of Insurance:* This bill would require the Department of Insurance (DoI) to annually receive reports from insurers and health maintenance organizations (HMOs) regarding the adequacy of their dialysis network. The bill requires that networks must at all times include not less than 50% of the dialysis facilities in the geographic service area. The Commissioner of the DoI is required to approve the report or make recommendations for changes within 30 days after receiving the report. Before any proposed changes to the network, insurers and HMOs must file an analysis of how the proposed change will affect their affected insured's access to care, the quality of care and the impact on premium rates. The analysis must also

demonstrate that the proposed change will not result in a shift of coverage for dialysis services from commercial health coverage to Medicare.

The DoI is authorized to adopt rules to implement the provisions of the bill. Rule promulgation should be able to be accomplished within the current level of resources available to the Department.

Not later than July 31, 2008, the DoI is required to conduct a review of filings made by insurers and HMOs. If the DoI determines the insurer or HMO is not in compliance, the bill specifies the time frames for notification and corrections of deficits. DoI estimates that one position would be needed to implement the reporting and compliance review provisions of the bill. The additional cost for salary, benefits, and office equipment is estimated to be \$48,200 annually.

Failure to comply with the provisions of the bill would constitute an unfair and deceptive act or practice in the business of insurance and may be subject to a hearing by the Commissioner of Insurance. Adding a violation to the unfair and deceptive acts provisions could increase the number of violations for which a hearing may ensue. However, the DOI should be able to handle any additional hearings given its current level of budget and resources.

Background Information: The Department of Health reported 112 certified dialysis treatment centers with 4 applications for certification pending as of January 15, 2008.

The Department of Insurance reported approximately 385 accident and health insurance companies with a certificate of authority to do business in Indiana.

Explanation of State Revenues: As a result of a hearing, violators may be ordered to cease and desist from the unfair or deceptive act or practice, and the Commissioner may order the payment of a civil penalty of not more than \$25,000 for each act or violation. If the person knew or reasonably should have known that he or she was in violation, the penalty may be not be more than \$50,000 for each act or violation. All civil penalties imposed and collected are deposited in the state General Fund.

Explanation of Local Expenditures: *Employee Health Benefit Costs:* To the extent that the provisions of the bill could influence the cost of employee health care benefits, costs to local governments and school corporations could be affected.

Local government groups enrolled in the Local Unit Government Employees (LUG) health plan could experience increased costs as a result of the specific requirements for dialysis networks, changes in coverage, and payment rates. LUG participants have the same benefits as state employees, but are part of a separate risk pool. Currently, 38 local units participate in LUG with 232 covered lives.

School corporations and local governments purchasing health benefit coverage on their own could incur increased premiums. The specific impact is indeterminable, but would depend on current health care coverage. It is unknown if local units would absorb this cost or pass the cost on to employees, as cost sharing of health benefit premiums varies widely by locality

Explanation of Local Revenues:

State Agencies Affected: All, and Department of Insurance.

Local Agencies Affected: Local governments and school corporations.

Information Sources: Department of Insurance; State Department of Health.

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